



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

April 5, 2004

TO: Agency Directors and Budget Officers

FROM: Candace Espeseth, Assistant Director
Budget Division

SUBJECT: PROPOSED BUDGET FORMAT CHANGES

This memorandum provides instructions for those agencies considering budget format revisions to their reporting structure.

A "budget format change" refers to any of the following changes:

- A major shift of costs between programs (subprograms in DSHS).
- A program consolidation or separation.
- A title change, if the new title is sufficiently different that it may cause difficulty in tracking trends.
- Any other significant revisions that would affect the comparability of staffing, expenditure, or revenue data over time.

Agencies proposing any such changes are to submit a request to the Office of Financial Management (OFM) no later than **Monday, May 10, 2004**.

What the Agency Request Should Include

It is important that agency submittals provide a thorough description and explanation of each budget format change. Please include the following elements to ensure your agency submittal is complete:

- A **Narrative Description of the Change** that focuses on these questions (see enclosed letter for an example):
 1. What purpose is served by the change?
 2. How will this change affect the availability and understanding of budget information for policymakers and the public? For example, if programs are being consolidated, explain how this would affect the availability of data from formerly independent programs.
- A **Crosswalk** (see Attachment A) displaying details within the affected programs in the existing structure and the proposed structure.

- **A Comparison of Current Structure and Proposed Structure** comparing the total estimated current biennium expenditures and FTEs, **for all programs**, before and after the proposed changes. An example is included in Attachment B.
- **A reconstructed ten-year operating and capital expenditure and FTE history** (Fiscal Years 1994-2003, with Fiscal Year 2004 and 2005 reconstructed after the biennial close) reflecting the proposed structure, if required by the threshold below. This information will be used to update OFM's historical database. **The reconstructed data is due within ten days of receipt of tentative approval from OFM for the program structure change.**

Please contact Bob Lewis, OFM Accounting Division at (360) 664-7677 or bob.lewis@ofm.wa.gov for more information on the type and format of the data required. Program changes prompted by legislative action (e.g., creating a new agency or moving an existing program to another agency) do not require a formal request; however, the ten-year history restructure is still necessary.

Threshold for Historical Restructure

All budget format changes must be proposed to OFM. If OFM approves of a proposed change, legislative fiscal analysts must concur with the proposals as recommended by OFM. If these conditions are met, the following threshold determines when budget format changes warrant historical reconstruction of data:

Agencies proposing changes that are less than one percent of budgeted expenditures or staffing, one million dollars per fiscal year, or ten FTE staff per fiscal year do not have to submit an historical reconstruction of data unless later requested by the Legislative Evaluation and Accountability Program (LEAP) Committee. The percentage applies to the agency expenditures for an agency appropriated at the agency level (program or category if appropriated at that level). When the threshold is based on program or category, historic reconstruction is required when any affected program or category hits the threshold.

To avoid unnecessary work, please contact your OFM budget analyst for preliminary approval of the proposal before creating historical data. Budget program structure change requests should be mailed to:

Linda Swanson
Office of Financial Management
Budget Division
P.O. Box 43113
Olympia, WA 98504-3113
linda.swanson@ofm.wa.gov

Attachments

(EXAMPLE ONLY)
DEPARTMENT OF SIGNIFICANT PRODUCTS

April 29, 2004

TO: Linda Swanson, Budget Assistant to the Governor
Office of Financial Management
Budget Division
P.O. Box 43113
Olympia, WA 98504-3113

FROM: George Washington, Assistant Director
Administrative Services Division

SUBJECT: BUDGET PROGRAM STRUCTURE CHANGE

The Department of Significant Products (DSP) requests a budget program structure change for the 2005-07 Biennium and all subsequent biennia. The change consists of separating our information technology functions from the administrative functions.

What is the reason and purpose for the change

The agency recognizes marketing resources as a vital asset. The separate program will facilitate management of this resource. The Assistant Director that will head the new program will be accountable for getting better results from these resources. As a separate program, those marketing resources and costs will be more visible and agency management will have better data with which to manage them.

Communication of budget information

We believe this change will improve the communication of budget information both internally and externally. This proposal takes costs previously consolidated in one program and breaks them into two components. Marketing costs formerly were consolidated with other production costs making them difficult to identify and manage. We believe this change will provide more visibility to the true costs of this activity and will also provide a better picture of our overall production costs. We do not believe there will be any loss of information.

The new program would be numbered **050** and would be titled **Marketing Services**. Please find attached a **Crosswalk of Programs Affected by Restructure** and a **Comparison of Current Structure and Proposed Program Structure**. If you have any questions, please contact our budget officer, Alex Hamilton, at 664-9999. Thank you.

Attachments

ATTACHMENT A
(EXAMPLE ONLY – REVISED 3-31-04)

DSP Crosswalk of Programs Affected by Restructure:

2003-05 Existing Structure	2005-07 Proposed Structure
030 – Significant Production	030 – Significant Production
Research	Research
Product Design	Product Design
Production	Production
Quality Control	Quality Control
Customer Sampling	Transferred to Program 050
Focus Groups	<i>Transferred to Program 050</i>
Advertising	<i>Transferred to Program 050</i>
Shipping	Shipping
Proposed New Program (050)	050 – Information Technology Services
	Customer Sampling
	Focus Groups
	Advertising

Attachment B

Comparison of Current Structure and Proposed Structure 2003-05 Estimated Expenditures and FTE Staff by Program

Agency: Department of Significant Products

	Before Structure Change			After Structure Change			Summary of Justification
	FTEs	GF-State	Other Funds	FTEs	GF-State	Other Funds	
Current Programs:							
010-Administrative Service	106.4	132,650	16,491,425				
020-Significant Assistance	686.8	0	101,702,955				
030 Significant Products	241.3	0	244,079,472				
040 Significant Policy	107.4	2,386,882	10,576,802				
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Proposed Programs:							
010-Administrative Services	64.0	16,000	8,556,111				This program structure change will accomplish the following: * Marketing Investments will be more visible to decision makers * Establish accountability for return on Marketing Investments
020-Significant Assistance	686.8	0	101,702,955				
030 Significant Products	241.3	0	244,079,472				
040 Significant Policy	107.4	2,386,882	10,576,802				
050-Marketing Services	42.4	116,650	7,935,314				
Totals	1,141.9	2,519,532	372,850,654	1,141.9	2,519,532	372,850,654	